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INTRODUCTORY BOOKKEEPING

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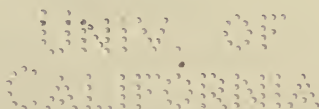
LOS ANGELES POLYTECHNIC HIGH SCHOOL

BY

F. C. WEBER

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INDEX

| | Page |
|-------------------------------------|-------------|
| Accounts | 1 |
| Accounts—Ruling of | 23 |
| Bank Discount | 34 |
| Bills Payable | 19 |
| Bills Receivable | 19 |
| Bookkeeping | 1 |
| Business Transaction | 1 |
| Buying on Account | 7 |
| Cash Accounting Closing | 39 |
| Cash Balance in Trial Balance | 40 |
| Cash Book | 36 |
| Cash Book—Posting From | 40 |
| Cash Defined | 1 |
| Checking | 17 |
| Commission Business | 43 |
| Consignment Accounts | 43 |
| Consignment Account Analysis | 47 |
| Corporation Exercises | 58-59-61-63 |
| Credit | 3 |
| Debit | 3 |
| Discount | 31 |
| Drayage—How Charged | 18 |
| Expense Account Analysis | 23 |
| Expense Account Closing | 29 |
| Expense Account Defined | 5 |
| Freight—How Charged | 18 |
| Gain Explained | 24 |
| Interest | 31 |
| Inventory Explained | 23 |
| Inventory—Transfer of | 28 |
| Journalizing Explained | 12 |
| Ledger Defined | 3 |

[Continued]

INDEX—Continued

| | Page |
|---|----------------|
| Ledger Closings | 27 |
| Liabilities | 22 |
| Losses Explained | 24 |
| Loss and Gain Account | 29 |
| Loss and Gain Statement Routine | 24 |
| Merchandise Account Analysis | 23 |
| Merchandise Account Closing | 28 |
| Merchandise Defined | 1 |
| Notes | 18 |
| Personal Accounts | 6 |
| Posting Routine | 14-16 |
| Present Worth | 23 |
| Proof of Statements | 25 |
| Proprietor's Account Closing | 29 |
| Proprietor's Investment | 7 |
| Purchases on Account | 7 |
| Real Estate | 20 |
| Resources and Liabilities | 26 |
| Resources and Liabilities Statement Routine | 22 |
| Reviews | 47-48-49-51-52 |
| Ruling of Accounts | 28 |
| Sales on Account | 7 |
| Sets, A. J. Laws | 14 |
| Cash Book | 38 |
| James D. Norton | 7 |
| J. Oscar Dwight | 17 |
| Shipping and Commission | 44 |
| Shipment Accounts | 44 |
| Shipment Accounts—Analysis of | 46 |
| Trial Balance | 8 |
| Trial Balance by Differences | 21 |
| Value | 1 |

ACCOUNTS

I.

Suppose you go to a store and buy a hat, paying \$5.00 in cash for it. You receive a hat and you give money. Anything which can be used to buy with, or that costs something to obtain, has value. Value is purchasing power. The hat is of value to you—it costs you \$5.00; it was of value to the storekeeper for it secured for him your \$5.00. The \$5.00 was of value to you, it secured for you something that you need; it is of value to the storekeeper, he can use it to secure something which he needs. So we find in this transaction an exchange of values.

Money is the standard by which we measure value. We measure the worth of the hat by saying it has a value of \$5.00.

There is a value received or promised for receipt and a value given or promised to be given in every business transaction. A BUSINESS TRANSACTION is an actual or promised exchange of goods, property or other representatives of value.

BOOKKEEPING is the keeping of a systematic record or history of the transactions of a business. We must bear in mind that this record or history is of and for the business and not of the men conducting the business. In double entry bookkeeping, we keep track of both the values received or promised for receipt and the values given or promised to be given. In doing this, we group values of a certain kind together under one head: for instance, those things that we buy for the purpose of selling again—things that we “deal in”—we classify as merchandise; value that passes from hand to hand as money and in the place of money, we classify as cash, etc. A convenient way of keeping track of the different values is to write down the name of a particular kind of value and in one column, on the left hand side, underneath the name, set down what all values of that class cost, or their worth, as they are received; in another column, on the right hand side, underneath the name, set down the worth of all values of that class as they are given out or disposed of.

Example:

| <i>Merchandise</i> | |
|--------------------|--------------|
| <i>426.30</i> | <i>74.10</i> |
| <i>216.23</i> | <i>5.16</i> |
| | <i>32.20</i> |

Here the left-hand column shows that we have received two different lots of merchandise, the first valued at \$426.30, the second at \$216.23; or this column shows us that merchandise has cost us altogether \$642.53. The right-hand column shows us that we have given out or disposed of three different lots of merchandise valued at \$74.10, \$5.16 and \$32.20 respectively, or that of the merchandise that we have received, we have disposed of a part for \$111.46. Remember that merchandise is usually not sold at the same price for which it is bought.

The business must have given some form of value for this merchandise which has been received. Let us suppose we paid cash. We parted with the cash in order to get the merchandise, that is, the merchandise cost us cash, and cash produced for us merchandise, thus merchandise in this case costs value, cash produces or supplies value. Sometimes instead of value being given at once, it is promised for a future delivery, the business thus assuming an obligation, and later, when the value is actually delivered, the business redeems its obligation.

The above arrangement of merchandise bought and sold, or similar arrangements for keeping track of values of a particular class or kind, is called an account.

An account costs value when it is the cause of the business parting with some other form of value or of the business assuming some obligation. An account produces value when it supplies the business with some other form of value or redeems an obligation for the business.

It is often very necessary to know WHEN values are received or given, so we will modify the above record by giving the date in each case. To help us in keeping these facts in a neat and orderly manner we will rule lines and make the arrangement as follows:

| <i>Merchandise.</i> | | | | | | | | | | | |
|---------------------|---------------|--|--|--|--|--------------|-------------|---------------|--|--|-------------|
| <i>1900</i> | <i>Jan. 2</i> | | | | | <i>42630</i> | <i>1900</i> | <i>Jan. 4</i> | | | <i>7410</i> |
| | <i>5</i> | | | | | <i>21623</i> | | <i>7</i> | | | <i>516</i> |
| | | | | | | | | <i>8</i> | | | <i>3220</i> |

The above is a Merchandise account. The items set down on the left-hand side are called DEBITS; those on the right-hand side are CREDITS. DEBIT means to charge or to enter on the left-hand side of the account. CREDIT means to place on the right-hand side of the account. REMEMBER that we: Debit an account when it costs or receives value, and Credit an account when it produces or supplies value. The book in which accounts are kept is called the "Ledger".

You should now be able to answer the following questions:

What is meant by value?

What purpose does money serve?

What is a business transaction?

What is bookkeeping?

What is the object of double entry bookkeeping?

What is an account?

When does an account cost value?

When does an account produce value?

What is meant by debit?

What is meant by credit?

II.

You will now take two sheets of letter head paper, or two half sheets of foolscap, and rule on each in RED ink the proper lines for one account as shown in the above Merchandise account. (Apply to your teacher for instruction on the correct use of the ruler.) Over one of these accounts, equally distant from the right and left margins, write the heading "Merchandise"; over the other "Cash". You will now use these accounts in keeping track of the values received or given in the following transactions, which are taken from a hay and grain business:

Jan. 1. You have on hand \$500 in cash. Place this amount in the debit side of your Cash account on the first line. Be careful not to omit the date.

Bought for cash an invoice of hay amounting to \$150.

In every transaction, ask yourself the questions: (1) What account costs or receives value? (2) What account produces or supplies value? REMEMBER that we: Debit the account that costs or receives value, and Credit the account that produces or supplies value. There must be at least one debit and one credit item for each transaction.

Bought for cash an invoice of barley amounting to \$210.

Sold for cash an invoice of hay and barley amounting to \$36.50.

Bought for cash 100 bu. oats at 36c per bu.

Sold J. D. Snell, for cash, 2 tons hay at \$8.50 per ton.

Sold for cash 2 bu. barley at 65c.

2. Bought of Jas. Wilton, for cash, 2 tons rolled barley at 75c per cwt.

Sold Smith & Swayne, 200 lbs. rolled barley at 80c per cwt. 10 tons hay at \$8.60 per ton; received cash for same.

4. Sold the Star Livery Co., for cash, 25 tons hay at \$8.50 per ton; 50 bu. oats at 41c per bu.

5. Bought of C. C. Moore, 225 bu. oats at 35c per bu., paid for same in cash.

Sold for cash 50 lbs. rolled barley at 1½c per lb.

6. Bought for cash 3 tons of hay at \$5 per ton.

Sold J. D. Snell, for cash, 10 bu. oats at 42c per bu.

You should now be able to answer the following questions:

How much has merchandise cost you?

How much merchandise have you sold?

How much cash has been received?

How much cash has been paid out?

How much cash have you now on hand?

Present your work, with your answers to the above questions, to your teacher for inspection.

III.

Things that are bought with the expectation that they will be consumed ("used up") in carrying on the business, are classified as expense and charged to the expense account. Also all outlays for labor, rent, etc., are charged to this account. In short the Expense account shows the cost of carrying on the business.

You may now take a half sheet of ledger paper and open accounts as follows: at the top of the first page (on the first blue line, equidistant from the right and left margins) write "Cash", at the top of the second page write "Merchandise", and at the middle of the second page write "Expense". Using these accounts, you will now keep track of the values in the following transactions, which are taken from a fuel business:

Jan. 10. Cash on hand \$432.65. Place this amount with the date on the debit side of your Cash account, writing in the wide column the words "Balance on hand". Thus your account will show the amount of money on hand at the time of beginning these transactions.

Rented a lot at the corner of Twelfth and Ohio Streets to be used as a fuel yard, paying one month's rent, \$22.50, in cash.

Remember in every transaction to ask yourself the questions: What account costs or receives value? What account produces or supplies value?

11. Paid James Sloan for work in cleaning up fuel yard \$2 in cash.

Bought 3 lbs. nails for use in repairing yard fence, 10c.

Bought lumber for use in repairing fence and paid for same \$2.50 in cash.

12. Bought one carload of oak wood for cash \$63.

Bought for cash 20 tons of Black Diamond coal, \$120.

Paid J. Swinton for cleaning and repairing office room, \$4.25.

Bought office books and stationery for cash, \$12.80.

Bought postage stamps, \$5.

13. Sold C. W. O'Connor, for cash, 1 cord wood, \$9.75.

Received cash for 1 ton coal, \$9.50.

14. Bought for cash 1 carload gum wood, \$50.

Sold Smith & Dunton, for cash, 2 tons Black Diamond coal,
\$19.

Sold 25c worth of stamps.

Bought for cash from the Southern Mill Co., 5 loads kindling at \$2 per load.

15. Sold for cash, 1 ton coal, \$9.50.

Sold for cash to Walter Stone, 1 cord gum wood, \$8, and 1 sack kindling, 25c.

Sold postage stamps for cash, 20c.

Received cash for three sacks kindling, 75c.

Paid John Dougan's wages for week in cash, \$9.50.

You may now determine the answers to the following questions:

What is the total cost of merchandise?

What are the total sales of merchandise?

How much cash was received during the week?

How much cash was paid out during the week?

How much cash is there now on hand?

How much has been paid for the expenses of the business?

If the books and stationery still unused are worth \$12.00; 3 weeks' unused rent, \$16.90; unused stamps, \$4.00; what has been the cost of running the business for the week?

Present your work and the answers to the above questions to your teacher for inspection.

IV.

Under our definition of a business transaction, page 1, we find that values are sometimes "promised for receipt" or "promised to be given". Example: John Day buys a wagon of Walter Boyle for \$225, agreeing to pay for the same in thirty days. In this transaction, Mr. Day receives a wagon and promises to give \$225; while Mr. Boyle gives a wagon and receives a promise of \$225 to be paid in the future. Transactions

of this kind, where promises not evidenced by writing are given or received, are spoken of as "sales on account" or "purchases on account". In many cases these promises are implied by the actions of the parties and are not definitely stated in words.

We open accounts with persons, firms and corporations in order to keep track of promises given and received which are not evidenced by writing. These accounts are called personal accounts. Debit personal accounts when they cost the business value, and credit them when they produce or supply value for the business.

Take a sheet of ledger paper, number the pages, and allowing one-half page for each account, open accounts as follows: James D. Norton, Proprietor; Cash, Merchandise, Expense, Howard Hamilton, Swinton & McLeod, Mrs. J. W. Upton, Frank C. Sinclair.

Using the above accounts, keep a record of the following transactions:

Feb. 1. James D. Norton invests \$2000 cash in a retail grocery business. Remember you are keeping the records for the business. Mr. Norton here supplies value to the business with the implied understanding that some day his business will return this amount and profits in addition to him. Cash is received by the business.

Remember the questions that you are to ask yourself in every transaction.

Rented store at 2302 Central Ave., paying one month's rent, \$35.00, in advance.

2. Bought an invoice of groceries of Craig, Stone & Co., for cash, \$510.25.

Bought an invoice of wrapping paper of Howard Hamilton, on account, \$27.50.

Paid cash for cleaning store, \$7.25.

3. Bought of Swinton & McLeod, on account, a bill of groceries amounting to \$375.

Bought of Howard Hamilton, on account, an invoice of paper bags, twine, etc., \$39.

The proprietor withdrew from the store for private use, groceries amounting to \$2.50.

4. Sold Mrs. J. W. Upton, on account, groceries amounting to \$6.13.

Received for petty cash sales during the day \$22.17.

5. Bought of Thurston & Clarke, for cash, an invoice of groceries amounting to \$817.50.

Bought of Swinton & McLeod an invoice of merchandise and had the same charged to our account, \$47.60.

Paid Howard Hamilton on account, \$50.

Received for cash sales during the day \$26.10.

6. Sold Frank C. Sinclair, on account, groceries amounting to \$8.94.

Bought of the Keystone Produce Co., for cash, an invoice of fruit and vegetables, \$13.70.

Received of Mrs. J. W. Upton, cash to apply on account, \$5.

Received for cash sales during the day \$49.72.

Paid Wm. Wharton's wages for the week, \$8.

You have learned from the entries which you have been making that whenever an account has cost value some other account has produced value of an equal amount. Example: When you have bought merchandise amounting to \$50 for cash, merchandise has cost you \$50, cash has produced \$50. The debit of each transaction equals the credit in amount. Since this is true, the sum of the debits of your ledger must equal the sum of the credits. You will now take a trial balance to see if any debits or credits have been omitted from the ledger.

Follow these instructions step by step.

1. Sharpen your pencil to a very sharp point.

2. Go through your ledger and foot the accounts in pencil, placing the totals in position like the small figures in the following account:

| <i>John Smith</i> | | | | | | | | | | | |
|------------------------|---|--|--|--|------|------------------------|----|--|--|--|------|
| ¹⁹⁰¹ Jan | 1 | | | | 50 | ¹⁹⁰¹ Jan | 10 | | | | 50 |
| | 2 | | | | 3260 | | 12 | | | | 1050 |
| | 5 | | | | 1426 | | 15 | | | | 543 |
| | | | | | | | 17 | | | | 225 |

Do not rule any line above or below the footings.

3. Take a half sheet of Journal paper; on the first blue line at the top, write "Trial Balance, Feb. 6, 19..". On the second blue line, write the page and name of the first account and in the debit, or left-hand money column, place the total debit and in the credit, or right-hand money column, place the total credit of the account. The following is correct:

| <i>Trial Balance, Feb. 6, 1901.</i> | | | | | | | | | | | |
|-------------------------------------|------------------------------------|--|--|--|-----|----|----|--|--|--|--|
| 1 | <i>James D. Norton, Proprietor</i> | | | | 250 | 20 | 00 | | | | |

4. On the next blue line, list the next account of your ledger, and continue until you have listed all accounts in the ledger, leaving out such accounts as balance (total debit equals total credit).

5. Foot the trial balance in pencil in the same manner as you did the accounts of the ledger. If the debit and credit columns are equal, you may rule and foot the trial balance in ink. Rule one red line across the money columns above the footings and two lines immediately below. Remember that rulings should be as nearly as possible upon the blue lines of the paper and never have more than one space between the single and double lines. Your trial balance should have the same form as the following except the color of the ruling:

Received for cash sales during the day \$42.25.

10. Sold Frank C. Sinclair, on account, merchandise amounting to \$7.86.

Bought of Preston & Little an invoice of fruit and vegetables, paid for same in cash, \$10.18.

Cash sales for day \$43.79.

11. Sold Mrs. J. W. Upton, on account, groceries amounting to \$3.29.

Cash sales for the day \$39.75.

12. Paid Howard Hamilton the balance we owe him on account.

Sold Frank C. Sinclair, on account, merchandise amounting to \$8.

Cash sales for day \$42.80.

13. Mr. Norton withdrew merchandise for his private use, \$2.25.

Sold Mrs. J. W. Upton, on account, merchandise amounting to \$4.15.

Received of Mrs. J. W. Upton, to apply on account, \$8 cash.

Received of Frank C. Sinclair, on account, \$5.

Cash sales for the day \$59.62.

Paid Wm. Wharton's wages for the week, \$8.

You may now take another trial balance in the same way as the one of February 6th, include the pencil footings of the 6th when adding up the accounts in the ledger.

Apply each of the three following questions to each of the accounts shown in your trial balance:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and the total credit show?

Carefully preserve your work for this set. You will need it later.

VI.

Thus far your work has been to post (enter) the debits and the credits of the transactions directly to the ledger accounts. In this manner you obtain the results of the transactions but you do not have as complete a record of the transactions as is desirable in business. For example, it is not sufficient to know only that you have debited Mrs. J. W. Upton, on Feb. 4, \$6.13. It is necessary to know (especially in case of a dispute) why you debited her. Generally a memorandum of the transaction is written in a blotter or day-book or a copy of the sales ticket is kept. According to the following illustration and instructions you will now write the memoranda of the transactions for February on journal paper and at the same time select the debits and credits and arrange them in the journal so that they will be in convenient form for posting or transferring to the ledger. Posting to the ledger in business is generally done at odd times when other matters do not require our attention. The first three transactions in February should appear in the journal as follows:

| <i>Feb. 1, 190-</i> | | | | |
|--|------|--|------|----|
| Cash | 2000 | | | |
| James D. Norton, Proprietor | | | 2000 | |
| James D. Norton commenced the retail grocery business and invested cash \$2000. | | | | |
| Expense | 35 | | | |
| Cash | | | | 35 |
| Rented store room at 2302 Central Ave. and paid one month's rent in advance, \$35. | | | | |

| | | |
|---|--------|--------|
| <p style="text-align: center;">2</p> <p>Merchandise -Cash</p> <p style="padding-left: 40px;">Bot an invoice of groceries of Craig, Stone & Co. for cash, \$510.25</p> | 510.25 | 510.25 |
|---|--------|--------|

Notice and remember the following facts concerning the above journal entries:

1. The name of the account to be debited always appears first.
2. Each debit or credit has an entire line by itself.
3. The debits are placed to the left, close to the first narrow column, and the amount of the debit in the left-hand money column on the same horizontal line.
4. The credits are written a uniform distance to the right of the debits and the amount of the credit is placed in the right-hand money column on the same horizontal line with the name of the credit.
5. The explanation is written under the journal entry, beginning a uniform distance to the right of the credit. No part of the explanation is outside of the wide central column.
6. A blank line is left between the transactions, at the center of which a figure indicating the date of the following transaction is placed.
7. The full date of the first transaction on each page appears at the top of the page.

Journalize all of the transactions in February (beginning on page 7) and present your work to your teacher for inspection.

VII.

You may now trace the debits from your journal to the ledger in the following manner:

1. What is the name of the first debit in the journal? Turn to the Cash account in the ledger.

2. What is the amount for the debit of Cash in the journal? See if you have that amount on the debit side of the ledger account.

3. What is the date of the transaction in the journal? See if you have entered the same date in the debit side of the ledger account.

4. What page of the journal is this transaction on? Place the figure 1 in the narrow column just to the left of the amount in the ledger account to show in the ledger on what page of the journal this entry occurs.

5. What page of the ledger is this account on? In the journal, in the narrow column to the left of the word Cash, write the figure 1 to show on what page of the ledger this item is posted.

Continue through all of the debits in the same manner. Be sure to put the journal page in the ledger and the ledger page in the journal.

Having finished the debits, proceed in similar manner with the credits.

Present your work for inspection.

Carefully preserve your work for this set. You will need it later.

VIII.

Journalize the following transactions:

Feb. 15. A. J. Laws engaged in the flour and feed business at 142 Karl St. He invested \$1900 in cash.

(What account receives value? What account supplies value?)

Paid A. S. Lane for rent of store to Mar. 1st, \$50.

Bought of Miller & Hale, on account, an invoice of flour amounting to \$524.

16. Bought of A. Stevens, on account, an invoice of hay, \$264.

Paid A. C. Randall for cleaning store room \$4.75.

Bought of the Gross Stationery Co., for cash, office books, stationery, etc., \$28.60.

17. Sold A. C. Mills, on account, 5 bbls. flour, \$40.

Bought of Patrick & Noble, for cash, 10,000 lbs. Ro. barley, \$600.

Cash sales for day \$18.75.

18. Bought of A. Stevens, on account, an invoice of bran, \$110.

A. J. Laws withdrew from business for private use \$25 in cash.

Cash sales \$43.75.

19. Sold Jno. Harter, on account, merchandise amounting to \$64.25.

Paid Miller & Hale, on account, \$124.

Sold A. C. Mills, on account, 10 bbls. flour, \$80.

Cash sales \$67.50.

20. Received of Jno. Harter, on account, \$25.

Paid employes for services during week, \$13.50.

Cash sales \$88.60.

22. Sold Sinclair Walker, on account, merchandise, amounting to \$210.

Received of John Harter, on account, \$25.

Cash sales \$74.

23. Bought of A. Stevens, on account, invoice of merchandise amounting to \$160.

Sold A. C. Mills, on account, merchandise, \$56.

Cash sales \$91.10.

24. Mr. Laws withdrew for private use \$5 cash.

Paid Miller & Hale, on account, \$200.

Cash sales \$76.40.

25. Received of Jno. Harter the balance due on his account.

Cash sales \$96.70.

26. Bought of A. Stevens, on account, invoice of merchandise, \$104.60.

Paid for extra labor today \$3.50.

Cash sales \$82.90.

27. Paid Miller & Hale the balance due them on account.

Received of A. C. Mills, on account, \$50.

Cash sales \$105.

Paid employees salaries \$13.50.

Paid J. C. Swift for use of his team and wagon in delivering goods during the past two weeks, \$18.75.

Mr. Laws withdrew cash for private use, \$10.

Present your journalizing for inspection.

IX.

Take $1\frac{1}{2}$ sheets of ledger paper and number the pages. Allow one page for Cash and one for Merchandise accounts and one-half page for each of the other accounts. Open accounts in the following order: A. J. Laws, Proprietor; Expense, Cash Merchandise, Miller & Hale, A. Stevens, A. C. Mills, Jno. Harter, Sinclair Walker.

Post the transactions from the journal to the ledger in the following manner:

1. What is the name of the first debit in the journal? Turn to the Cash account in the ledger.

2. What is the amount of the first debit in the journal? Place this amount on the debit side of the Cash account in the ledger.

3. What is the date of the first transaction in the journal? Enter this date in the proper columns on the debit of the Cash account in the ledger.

4. What page of the journal is this transaction on? Place this page in the proper column on the debit side of the Cash account in the ledger.

5. What page of the ledger is this account on? Place the number of this page in the proper place in the journal.

Proceed with each of the debits in similar manner. When the debits are finished, begin with the first of the credits and post them according to the same routine.

Check your posting by going over all of the transactions in the journal and tracing them to the ledger to see if you have made any error or omission. When you discover an item to be correctly posted, place a very small pencil check mark to the left of the amount in both the journal and ledger.

Take a trial balance.

You should be able to answer the following questions:

What is journalizing?

What is the routine for posting?

When is posting usually done?

Apply each of the three following questions to each of the accounts in your ledger:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and total credit show?

Present all of your work for inspection. Carefully preserve your work for this set. You will need it later.

X.

Journalize the following transactions; be sure to make your work accurate and complete in all details; remember to ask yourself concerning each transaction "What account receives or costs value?" and "What account produces or supplies value?"

March 1. J. Oscar Dwight engages in the Flour and Grain business, at 516 Towne St., investing \$2500 in cash.

Paid Henry Le Sage one month's rent in advance, as per previous agreement, \$65.

Bought for cash, 2000 bu. oats at 30c per bu.

Bought of the W. Thyne Co., for cash, stationery, books, etc., for use in the business, \$18.65.

2. Bought of C. S. Huff & Co., on account, 300 bbls. flour at \$4.07 per bbl., 500 bu. oats at 31 cts. per bu.

Bought of R. Miller, on account, 500 bu. rye at 50 cts.

3. Sold A. Williams & Co., on account, 450 bu. oats at 39 cts., 100 bu. rye at 60 cts.

5. Paid C. S. Huff & Co., on account, \$600.
6. Bought of King & Hicks, on account, 1500 bu. corn at 35 cts.
7. Paid freight on the corn bought of King & Hicks, \$12.45.

Note: Freight and drayage paid on merchandise which has been purchased, is usually considered as a part of the cost of the merchandise and therefore charged direct to the merchandise account.

Sold D. O. Sage & Co., on account, 500 bu. corn at 41 cts., 60 bbls. flour at \$4.55.

8. Sold K. E. Fitch & Co., on account, 250 bu. corn at 42 cts., 425 bu. oats at 37 cts.

9. Mr. Dwight (proprietor) has withdrawn from the business, for his private use, \$30 cash.

10. Bought of King & Hicks, on account, 950 bu. corn at 35 cts. per bu., 325 bu. rye at 53 cts.

Paid C. S. Huff & Co., to apply on account, \$150.

12. Sold to A. R. Land, on his note at 10 days, 56 bbls. flour at \$4.63.

The note referred to in this transaction is a written instrument, signed by Mr. Land, in which he promises to pay \$259.28 in ten days. The following illustration shows the form of the note:

\$259.28 Los Angeles, Cal., Mar. 12, 1900
Ten days after date I promise to pay
to the order of J. Oscar Dwight
at his office
Two Hundred Fifty-nine and 28/100 Dollars
Value received with interest at 10% per annum
No 31 Due 3/22/00 A. R. Land

In business, written obligations to pay money at a future time are a higher form of value than oral promises. It is better to have a man's written promise than his spoken one. For this reason the bookkeeper must classify written obligations in such

manner as to keep them separate from oral promises, which are entered in personal accounts. Written obligations, payable in money at a future time, when in favor of our business (that is, promising payment to us) are classified as Bills Receivable. When the obligations are made by our business (we promising to make the payment to others) they are classified as Bills Payable. The same questions and rules that you have been using in all of your transactions apply to Bills Receivable and Bills Payable. In the above sale to Mr. Land, what account receives or costs value? What account produces or supplies value?

13. Sold A. Williams & Co., on their note at 15 days, 125 bbls. flour at \$4.61.

14. D. O. Sage & Co., who owe us \$478 for invoice of the seventh, asks us to accept their note at 30 days in payment of the account. Mr. Dwight has agreed to do this.

Note: We now have their written promise or note instead of their oral promise as shown by their account. Think out carefully how this affects Bills Receivable and D. O. Sage & Co.'s accounts.

15. K. E. Fitch & Co. send us their note of \$100, due in 10 days, to apply on account.

16. Bought of C. S. Huff & Co., 150 bbls. flour at \$4.02, 480 bu. corn at 36 cts., on account.

17. Sold Fulton Judd, 420 bu. oats at 37 cts., 250 bu. corn at 41 cts., on his note at two months.

19. Bought of King & Hicks, on our note at 5 days, 250 bbls. flour at \$4.01, 450 bu. corn at 34 cts.

Note: We are here issuing our written promise to pay. How is this promise classified? Carefully apply your questions.

20. Bought of Fallis & Ware, on our note at 5 days, 500 bu. corn at 36 cts.

21. Sold W. A. Glass, 75 bbls. flour at \$4.65, 250 bu. corn at 39 cts., received in payment his note at 60 days.

22. Sold Jas. D. Southfield, 50 bbls. flour at \$4.66, 410 bu. corn at 39 cts., on account.

23. Bought of Willis A. Hicks, 500 bu. oats at 34 cts., 800 bu. corn at 34 cts., gave in payment our note at 45 days.

Sold D. Rose and Bro., on account, 65 bbls. flour at \$4.62.

Received of A. R. Land, in full for his note of the 12th inst., \$259.28 cash.

Note: You are now receiving cash for a written promise. Your answer to the question, "what account produces or supplies value?" must necessarily be Bills Receivable as it is the written promise of another in favor of our business which is being paid.

24. Received of K. E. Fitch & Co., in payment of their note, due tomorrow, \$100.

Paid our note of the 19th inst. in favor of King & Hicks.

Note: What kind of an obligation are we paying? How is it classified?

Paid our note in favor of Fallis & Ware, dated March 20th.

26. Received of K. E. Fitch & Co., to apply on account, their note at 60 days for \$150.

Mr. Dwight has transferred W. A. Glass' note of the 21st inst., for \$446.25, to C. S. Huff & Co., to apply on account.

Note: Instead of holding this Bills Receivable until it is due, collecting it, and then paying our account in favor of Huff & Co., they have consented to take the note at its face value as part payment of the account. Apply your questions carefully.

27. Received of A. Williams & Co., in payment of their note of the 13th inst., \$576.25.

Gave King & Hicks, to apply on account, our note of \$300, due in 10 days.

Paid freight and drayage bills to date, \$28.50.

28. Mr. Dwight has taken from the store, for his own use, 1 bbl. flour at \$4.01.

29. Bought of Henry Le Sage the store and lot we are now occupying. Gave in payment \$500 cash and a note, due in 2 years, for \$4500.

It is customary to carry investments in land and buildings in real estate accounts. In order to determine the income, expense, gain or loss, on each separate piece of real estate, it is

necessary to have a separate account with each separate piece, so to distinguish this property from other property that might be bought later, we will open this account as "Real Estate, 516 Towne St." The rules used for debiting or crediting real property accounts are the same as used for other accounts. Two things are given in this transaction (cash and note) to secure one thing (real estate), so our entry must show one debit and two credits and will appear in the journal in the following form:

| | |
|----------------------------|------|
| Real Estate, 516 Towne St. | 5000 |
| Cash | 500 |
| Bills Payable | 4500 |

Entries having more than one debit or more than one credit are of frequent occurrence. Why is real estate debited? Why are cash and bills payable credited?

30. Received of A. Williams & Co., cash in full of account.

31. Paid clerk hire, \$28.

Present your journalizing for inspection.

XI.

Take two sheets of ledger paper and number the pages. Open accounts in the following order, allowing $\frac{1}{2}$ page for each account: J. Oscar Dwight, Proprietor, Cash, Merchandise, Expense, Bills Receivable, Bills Payable, C. S. Huff & Co., R. Miller, King & Hicks, A. Williams & Co., D. O. Sage & Co., K. E. Fitch & Co., Jas. D. Southfield, D. Rose & Bro., Real Estate, 516 Towne St.

Post the items from your journal.

Check your posting.

Foot your ledger accounts in small pencil figures.

Take a trial balance. Instead of putting the total debit and the total credit of each account both in the trial balance as heretofore, take the difference between the debit and credit of each account and place only this difference in the trial balance. To illustrate: Suppose the total debit of the cash account is \$526.73 and the total credit \$313.52, the difference then is \$213.21, which

amount place in the debit column of the trial balance opposite the name of the account. Be careful to place the difference of each account of the debit side of the trial balance if the debit footing is the larger, on the credit side of the trial balance if the credit footing is the larger.

You should now be able to answer the following questions concerning each of the accounts in your ledger:

- (a) What does the total debit show?
- (b) What does the total credit show?
- (c) What does the difference between the total debit and the total credit show?

Present your work for inspection.

XII.

You will now make a statement showing the resources and liabilities of the business. Anything of value which the business owns, controls and can dispose of, is a resource. Anything that the business owes or is liable for, is a liability. Follow instructions carefully, step by step. Take $\frac{1}{2}$ sheet of journal paper, write across the top "Resources and Liabilities, Mar. 31, 19..", and at the top of the left-hand money column "Resources", and the right-hand column "Liabilities". You have been applying to the ledger accounts the questions: (a) What does the total debit show? (b) What does the total credit show? (c) What does the difference between the total debit and credit show? Now add one more question, (d) Is the difference a resource or a liability?

Begin with the Cash account; write the page and name of the account on your statement the same as for a trial balance; determine by the above questions whether it shows a resource or a liability and place the amount in the proper column. (See illustrative statement page 26.)

Mr. Dwight reports the property on hand at the close of business March 31 to be as follows:

| | | | |
|----------------------------|------|----------|-----------|
| 1705 bu. oats | .33 | \$562.65 | |
| 725 bu. rye | .50 | 362.50 | |
| 3020 bu. corn | .35 | 1057.00 | |
| 208 bbls. flour | 4.02 | 836.16 | \$2818.31 |
| Real Estate, 516 Towne St. | | | 5000.00 |

A list of property on hand, like the above, is called an inventory.

In the Merchandise account, the debit shows the total purchases, the credit the total sales, and the difference the excess of purchases over sales; but as merchandise is not sold at the same price for which it is bought, the worth of the stock on hand is not the same as the balance of the account. To get the worth of the merchandise on hand refer to the inventory above. Determine whether this inventory shows a resource or a liability and enter it accordingly on your statement.

The next account in your ledger, Expense, shows the cost of things used up in carrying on the business. As these things have been used up, they can not now be a resource, and as they were paid for during the month, they can not be a liability. Leave the account out of the statement as it shows neither a resource or a liability.

Bills Receivable is the next account in your ledger. Apply the questions (a, b, c, d,) and place the account on your statement in accordance with your answers.

Continue through your ledger applying the questions (a, b, c, d,) to each of the remaining accounts. If the accounts show resources or liabilities, place them on your statement, otherwise leave them out.

Foot in pencil the resource and liability columns of your statement. It is evident that the footing of the resource column shows all of the value owned or controlled by the business, while the footing of the liability column shows all that is owed by the business. The difference between the resources and liabilities is what the business is worth, or it is the proprietor's interest in the

business and is called his present worth. Write on the first blank line of your statement, in red ink, "J. Oscar Dwight's Present Worth" and place the amount in the liability column. Rule and foot the statement in the same manner as a trial balance.

You will now make a statement of losses and gains. Accounts which have cost the business value and have not produced as much as they have cost, and will not in the future produce any more on this cost, show loss. Accounts which have produced more than they have cost, and will not in the future cost more on what they have already produced, show gain.

On $\frac{1}{2}$ sheet of journal paper write the heading "Losses and Gains, Mar. 31, 19..", and at the top of the left-hand money column "Losses", and the right-hand column "Gains". Those accounts in your ledger of which the entire difference shows either a resource or a liability can not, of course, show loss or gain. This leaves for the statement of losses and gains only such accounts as are not entirely used in the statement of resources and liabilities.

The debit of the merchandise account shows total purchases or cost. The credit side of the account shows total sales. The sales added to the inventory (goods on hand) shows what all of the merchandise has been worth to the business, this sum compared with the cost will show the gain or loss on the merchandise. Find the gain in the merchandise account on your statement in this same form as shown in the illustrative statement.

Add to your ledger question "d" the words "loss or gain", and then apply all of the questions (a, b, c, d) to the Expense account and enter it properly on your statement.

Since all of the rest of the accounts, excepting the proprietor's, show nothing but resources and liabilities, you will now find the difference between the losses and gains. This difference is the net gain for the month, enter it on your statement in the same manner as shown on the illustrative statement.

Mr. Dwight invested \$2500 and withdrew \$34.01, which leaves his net credit \$2465.99. Add to his net credit, \$2465.99, the net gain for the month, \$69.30, and the sum is his present

worth, \$2535.29. This present worth must agree with the present worth as shown on the statement of resources and liabilities. (See illustrative statement.)

You should now be able to answer the following questions:

What is a resource? Liability?

In what two ways can the proprietor's present worth be found?

What is an inventory?

Present your statements for inspection.

Resources and Liabilities, May 31, 19-

| | Resources | Liabilities |
|------------------------------------|----------------|----------------|
| 2 Cash balance on hand | 3274.60 | |
| 3 Indue. inventory | 2463.20 | |
| 4 Bills Rec. notes on hand | 476 | |
| 4 " Pay. " outstanding | | 2370. |
| 5 Real Estate inventory | 2500 | |
| 5 J. C. Swayne owes us | 263.41 | |
| 6 C. O. Little " " | 342 | |
| 6 Macon & Co. owe them | | 372.40 |
| 7 F. V. Harris & Co. " " | 1319.21 | 2563.30 |
| <i>D. S. Marsh's Present Worth</i> | | <i>6462.57</i> |
| | <i>9319.21</i> | <i>9319.21</i> |

Losses and Gains, May 31, 19-

| | Losses | Gains |
|-------------------------------|----------------|---------------|
| 3 Indue. total sales | 3264.50 | |
| inventory | <u>2463.20</u> | |
| total worth | 5727.70 | |
| " cost | <u>4836.49</u> | |
| gain | | 891.21 |
| 3 Expense cost | 470.70 | |
| <i>D. S. Marsh's Net Gain</i> | <i>420.57</i> | |
| | <i>891.21</i> | <i>891.21</i> |

Proof of Statements, May 31, 19-

| | | |
|----------------------|---------------|----------------|
| D. S. Marsh invested | 6250 | |
| withdrew | <u>250.</u> | |
| net investment | 6000 | |
| net gain | <u>420.57</u> | |
| <i>present worth</i> | | <i>6420.57</i> |

D. S. Marsh, Proprietor

| 19- | | | 19- | | |
|------------------|---|---------|----------------------|---|---------|
| May 18 | 6 | 250 | May 1 | 1 | 6250 |
| 31 Present Worth | | 6420 57 | 31 Net Gain | 7 | 420 57 |
| | | 6670 57 | | | 6670 57 |
| | | | June 1 Present Worth | | 6420 57 |

Cash

| 19- | | | 19- | | |
|----------------|---|--------|------------|---|--------|
| May 1 | 1 | 6250 | May 2 | 2 | 2346 |
| 16 | 4 | 54570 | 3 | 2 | 76438 |
| | | | 15 | 3 | 47020 |
| | | | 31 Balance | | 327460 |
| | | 679570 | | | 679570 |
| June 1 Balance | | 327460 | | | |

Merchandise

| 19- | | | 19- | | |
|------------------|---|---------|--------------|---|--------|
| May 1 | 2 | 2346 | May 16 | 4 | 52570 |
| 19 | 5 | 2490 49 | 17 | 5 | 217430 |
| 31 Gain | 7 | 89121 | 23 | 8 | 52570 |
| | | | 31 Inventory | | 246320 |
| | | 572770 | | | 572770 |
| June 1 Inventory | | 246320 | | | |

Expense

| 19- | | | 19- | | |
|--------|---|-------|-------------|---|-------|
| May 15 | 3 | 41020 | May 31 Loss | 7 | 47070 |
| 26 | 9 | 6050 | | | 47070 |
| | | 47070 | | | |

Loss & Gain

| 19- | | | 19- | | |
|----------------|---|-------|---------------|---|-------|
| May 31 Expense | 3 | 47070 | May 31 Indec. | 3 | 89121 |
| 31 D. S. Marsh | 1 | 42057 | | | 89121 |
| | | 89121 | | | |

XIII.

You will now close the accounts which show either loss or gain. Begin with merchandise. The debit side shows all the merchandise bought. The credit side shows all of the merchandise sold. To close the account, the inventory is added to the credit side, thus showing the entire worth of merchandise to the business. Write on the first blank line of the credit side in red ink, "Mar. 31, Inventory 2818.31". (See illustration page 30.) Since the total debit is now smaller than the credit of the account, it shows a gain equal to the difference (as merchandise has been worth more to the business than it cost). Write on the first blank line of the debit side, in red ink, "Mar. 31, Gain 180.95". (See illustrative closing.) Now rule and foot the account. REMEMBER the ruling is in red and always on the same horizontal blue line, the single lines extend only across the money columns above the footings, the double lines extend across all except the explanation columns and are on the first blue line below the footings and the single line, the footings are in black ink. (See illustrative closing.)

A double entry ledger should always be in balance (total debits equal to the total credits). You added the inventory to the credit without putting a like amount on the debit. By transferring the inventory to the debit side of the account, you will off-set its addition to the credit and at the same time show the amount of merchandise on hand at the beginning of the next day's business. Write on the first blank line below the closing, in black ink, on the debit side, "Apr. 1, Inventory 2818.31". REMEMBER all red ink entries made in your ledger, must be transferred to the opposite side of the account in which made, or to the opposite side of some other account, before the closing of the account is complete and the ledger restored to a balance.

One of the objects in closing the ledger is to gather the losses and gains together. To do this, open a Loss and Gain account at some convenient place in your ledger. You have entered the gain on merchandise in the merchandise account on

the debit side in red ink. Now transfer that amount to the credit side of the Loss and Gain account. Write on the credit side of the Loss and Gain account, in black ink, "Mar. 31, Merchandise 180.95". You write the word "merchandise" in the loss and gain account to show in what account the gain occurred, also place in the folio column the page of the ledger on which the merchandise account is found. Turn to your Merchandise account, and place the page of the Loss and Gain account in the folio column after the word "Gain" to show where the amount was transferred to. (See illustrative closing.)

You will now close the Expense account. Does this account show a gain or loss? Why? Write on the credit side, in red ink, "Mar. 31, Loss 111.65". Rule and foot the account in the same manner as the merchandise account has been ruled and footed. Be sure to get your ruling on the same horizontal, blue lines. Now transfer the loss to the Loss and Gain account. Write on the debit side of the Loss and Gain account, in black ink, "Mar. 31, Expense 111.65", and put in the page of the Expense account, also put the page of the Loss and Gain account in the Expense account. (See illustrative closing.) Why is the word "Expense" written in the Loss and Gain account?

If you refer to your statement of losses and gains, you will see that you have closed all of the accounts which show either loss or gain into the loss and gain account. Now it is necessary to close the loss and gain account, so as to give the gain to the proprietor, to whom it belongs. Write on the debit side of the loss and gain account, in red ink, "Mar. 31, J. Oscar Dwight 69.30". Rule and foot the account. Place in the folio column the page of the J. Oscar Dwight account, so as to show where the net gain has been carried. Write on the credit side of J. Oscar Dwight's account, in black ink, "Mar. 31, Net Gain 69.30", and the page of the Loss and Gain account. Write on the debit side of Dwight's account, in red ink, "Mar. 31, Present Worth 2535.29". Rule and foot the account. Bring the Present Worth down on the credit side. Why? Write, in black ink, "Apr. 1, Present worth 2535.29". (See illustrative closing.)

You will also close the Cash account. On the credit side, in red ink, write "Mar. 31, Balance 302.93". (See illustrative closing.) Rule and foot. Bring the balance down on the debit side, in black ink, as follows: "Apr. 1, Balance 302.93". This account is closed to show how much cash we have on hand at the end of the month.

You should now be able to answer the following questions:

What color is used for closing entries?

What color is used for the transferred entries?

What accounts have been closed?

What does the difference between the two sides of the Loss and Gain account show?

Where is the net gain carried? Why?

How is the proprietor's account closed?

Where should the inventory of merchandise appear after the ledger is closed?

Present your work for inspection.

XIV.

You will now make the statements and close the ledger for the business of which James D. Norton is the proprietor, Feb. 1 to 13. Use the ledger that you have already prepared for this set. The inventory of merchandise on hand, Feb. 13, is \$1610.40.

Read over carefully the instructions for the statements and closing which you have just finished, if you have any difficulty. They will apply equally well to this work although the amounts are different. Use the following order in your work: Statement of Resources and Liabilities, Statement of Losses and Gains, Ledger Closing. Present your work for inspection.

XV.

You will now make the statements and close the ledger for the business of which A. J. Laws is the proprietor, Feb. 15 to 27. Use the ledger which you have already prepared for this business. The inventory of merchandise on hand, Feb. 27, is \$905.80. Follow the same order as indicated for the Norton set.

INTEREST AND DISCOUNT.

The owner of money frequently allows others to use his money for a period of time receiving in return a certain compensation for its use. If the compensation for the use of the money is paid at the time the money is returned to the owner or the lender, it is usually spoken of as interest. If the compensation for the use of the money is deducted at a time before the money is returned to the owner or lender, it is generally spoken of as discount. The amount of compensation allowed for the use of money is generally estimated at a certain per cent. per annum. Thus if A loans B some money with the understanding that B will pay interest at 6%, it means that B will give A 6-100 of the sum borrowed for the use of that sum for one year. If

he retains the sum for a longer or shorter period than one year, he will pay a proportionate amount for its use.

What is the interest at 6% on:

1. \$54 for 1 year?
2. \$110 for 1 year?
3. \$54 for $1\frac{1}{2}$ years?
4. \$54 for $\frac{1}{2}$ year?
5. \$110 for $\frac{1}{4}$ year?

The year is commonly considered as 360 days for business purposes. 60 days is what part of a year? What is 1-6 of 6-100?

If 6-100 of the sum loaned is the interest for one year (360 days), the interest for 60 days is what part of the sum loaned?

How do you find 1-100 of any sum? The interest at 6% for 60 days is what part of the sum loaned? How can you find the interest on any sum of money for 60 days at 6%?

What is the interest at 6% on:

6. \$54 for 60 days? 120 days? 30 days? 12 days? 10 days?
7. \$110 for 60 days? 180 days? 20 days? 12 days? 15 days?
8. \$5267.50 for 60 days? 120 days? 10 days? 15 days? 12 days?

6 is what part of 360? What is 1-60 of 6-100? If 6-100 of the sum loaned is the interest for one year, the interest for 6 days is what part of the sum loaned? How many places are pointed off to find the interest for 6 days?

In the above problems, you found the interest for 60 days by pointing off two places. To find the interest for the required number of days, you multiplied or divided. The number of days in each case being a multiple or aliquot part of 60, the operation was very simple. The operation in finding the interest for any number of days may be made equally simple by dividing the time up into aliquot parts or multiples of 6 or 60.

Example: Find the interest on \$235 for 44 days at 6%.

44 days = 7x6 days plus 2 days.

.235 = interest for 6 days.

7

1.645 = interest for 42 days (7x6 days).

.078 = interest for 2 days (1-3 of 6 days).

1.723 = interest for 44 days (42 days plus 2 days).

Divide the following periods of time into multiples or aliquot parts of 6 or 60:

9. 13 days, 23 days, 16 days, 43 days, 57 days.

10. 7 days, 14 days, 27 days, 49 days, 93 days.

11. 68 days, 55 days, 23 days, 17 days, 108 days.

Find the interest at 6% on:

12. \$272.50 for 13 days, 23 days, 16 days, 43 days, 57 days.

13. \$316 for 7 days, 14 days, 49 days, 27 days, 93 days.

14. \$2408.36 for 68 days, 55 days, 23 days, 17 days, 108 days.

When negotiable paper reads a certain number of years or months, the time is computed by calendar years or months. Example: A note dated Jan. 12, at three months, is due April 12. When negotiable paper reads a certain number of days, the exact number of days are counted.

Find the date when the note is due, and the time in days for the payment of interest, on the following:

15. Note dated Jan. 3, at 3 mos., paid Mar. 20.

16. Note dated July 16, on demand, paid Sept. 4.

17. Note dated May 7, at 60 days, paid July 10.

18. Note dated Feb. 6, 1907, at 1 year, paid Feb 6, 1908.

19. Note dated Aug. 20, at 90 days, paid Dec. 4.

20. Note dated Feb. 28, at 6 mos., paid June 26.

21. Note dated Oct. 1, at 60 days, paid Jan. 3.

22. Note dated Dec. 12, at 90 days, paid Mar. 1.

23. Note dated Sept. 10, at 3 mos., paid Dec. 10.

24. Note dated Mar. 4, at 10 days, paid Mar. 31.

25. Note dated Nov. 24, at 6 mos., paid Apr. 2.

26. Note dated May 30, at 30 days, paid June 29.
27. Note dated Aug. 20, at 1 mo., paid Sept. 30.
28. Note dated Jan. 13, at 60 days, paid Mar. 6.
29. Note dated Feb. 1, at 90 days, paid May 10.

Find the interest on:

30. A note for \$500, dated Jan. 3, at 3 mos., paid Mar. 20, at 6%.
31. A note for \$315.50, dated July 16, on demand, paid Sept. 4, at 6%.
32. A note for \$425, dated May 7, at 60 days, paid July 10, at 7%. (Add 1-6 of interest at 6%. Why?)
33. A note of \$150, dated Feb. 6, 1907, at 1 year, paid Feb. 6, 1908, at 5%. (How do you find the interest at 5% after you have found it at 6%? Why?)
34. A note for \$2500, dated Aug. 20, at 90 days, paid Dec. 4, at $4\frac{1}{2}\%$.

Los Angeles, Cal., Mar. 3, 1907.

Three months after date I promise to pay to

| | |
|------------------------------|----------|
| Silas Warner, or order,..... | \$200.00 |
| Two Hundred no-100..... | Dollars |

for value received.

JOHN DOE.

When is the above note due?

Silas Warner holds the above note until April 2 at which time he discounts it at the bank. The bank will advance him money on this note. Silas Warner will thus be using the bank's money from April 2 until the note is due, at which time the bank will receive \$200 from John Doe. This being the case, the bank should receive pay for the use of its money from April 2 until the note is due from Silas Warner. This is done by computing interest on the note for the length of time it still has to run and deducting this from \$200, the bank paying Silas Warner the proceeds. This deduction is called discount.

If the rate is 7%, how much will Silas Warner receive on the above note? (It is customary in banking to deduct discount for the exact number of days.)

What are the proceeds of the following discounts:

| | Face | Date of Note | Time | Date of Dist. | Rate |
|-----|-------|--------------|---------|---------------|------|
| 35. | \$300 | Feb. 12 | 30 days | Mar. 1 | 6% |
| 36. | \$435 | Sept. 10 | 45 days | Oct. 7 | 7% |
| 37. | \$210 | Dec. 21 | 3 mos. | Jan. 17 | 6% |
| 38. | \$750 | May 30 | 10 days | June 2 | 6% |
| 39. | \$250 | July 15 | 1 mo. | July 25 | 7% |

In the above note made by John Doe, there is no promise to pay interest. If there were included in the note a promise to pay interest, the note would be worth more than \$200 when it comes due, and the bank would receive, when it is paid, \$200 plus the interest, thus as the bank receives more than \$200 it should give Silas Warner proportionately larger proceeds. This being the case, the discount on interest bearing notes is figured on the face plus the interest.

Suppose the above note bears interest at 6%, then:

\$2.00=Interest for 2 mos. at 6%.

1.00=Interest for 1 mo. at 6%.

\$3.00=Interest for 3 mos. at 6%.

\$200.00

\$203.00=What note is worth when due.

\$2.03=Interest for 60 days at 6%.

.067=Interest for 2 days at 6%.

\$2.097=Interest for 62 days at 6%.

.349=Interest for 62 days at 1%.

\$2.446=Interest for 62 days at 7%.

\$203.00

2.446=Discount for 62 days at 7%.

\$200.554=Proceeds due Silas Warner.

Cr., \$2000, the second, Cash, Dr., \$36.40, and Merchandise, Cr., \$36.40. On the credit side, the first entry is the same as Expense, Dr., \$65, and Cash, Cr., \$65, the second, Furniture and Fixtures, Dr., \$145, and Cash, Cr., \$145.

Make the following entries in accordance with your answers to the questions: "What account receives or costs value?" and "What account produces or supplies value?"

May 1. J. Walter Lang commenced business investing \$2000 in cash.

Paid one month's store rent in advance, \$50.

2. Received invoice of Mdse. from J. C. Brice & Co., paid for same in cash, \$410.

Bought counter, shelves, showcases, etc., paying for same in cash, \$232.50. (Open a Furniture and Fixture account for items of this kind.)

Paid for books, stationery, etc., \$13.60.

3. Deposited cash in The Second National Bank, \$1100.

Sold Mdse. for cash, \$18.35.

Received of J. M. Snell \$38.70 in cash for Mdse.

Bought for cash an invoice of Mdse. dated May 2, amounting to \$317.20.

4. Received cash for Mdse. sales, \$78.64.

Paid clerks' salaries for week, \$18.75.

Bought for cash a horse, wagon and harness for use in delivering Mdse., \$475. (Debit horse and wagon account for everything pertaining to this part of business.)

Received for invoice of Mdse. sold to Charles Brokaw, \$86.90 in cash.

Received for cash sales of Mdse., \$88.25.

Foot the debit and credit sides of your cash book in pencil and find the balance of cash on hand. Refer to the illustrative cash book and close your cash book in like manner. Caution: Be sure to get your ruling on the same horizontal, blue line of both pages, and correct in other details.

Present your work to your teacher for inspection.

May 6. Mr. Lang makes an additional investment of \$100 in cash.

Received of James Marsh for Mdse. \$38.65.

Bought of Upton & Walsh an invoice of Mdse. amounting to \$345, and paid for same by check on The Second National Bank.

7. Mr. Lang decides to largely increase his stock of Mdse. and in order to do so he will need more ready cash. He has arranged with The Second National Bank for a loan of \$1000. This amount has been placed to the credit of his account at the bank and he has given his thirty-day note, bearing interest at 7%, for the same. (No entry is made for interest until it is actually paid or received.)

Received for sundry cash sales during the day, \$94.52.

Mr. Lang has placed an order with the Kuhn-Snyder Co., of San Francisco, for \$950 worth of Mdse. This Mdse. is to be shipped at once and will probably be received in about a week. (The entry for this purchase will be made when the goods are received. No entry is necessary in placing an order.)

8. Mr. Marsh returns a part of the Mdse. sold him on the sixth as it is not satisfactory. We refund \$12.17 for the same.

Paid for advertisement in The Evening News, \$24.

Sold Mdse. amounting to \$76.55 for cash.

9. Received for sundry cash sales of Mdse. \$94.43.

10. Bought for cash, of R. C. Boynton, Mdse. amounting to \$31.50.

Cash sales, \$87.24.

10. Mr. Lang has decided that it would be advantageous to allow credit to certain customers. From this time on, sales on account will be entered in the Journal. (Get a sheet of Journal paper for your Journal.)

Sold W. J. Amos Mdse. on account amounting to \$22.75.

Sold Mrs. Herbert Sidney, on account, Mdse., amounting to \$125.

11. Bought of the Keystone Produce Co., on account, an invoice of vegetables, amounting to \$102.

Sold J. C. Donovan Mdse. amounting to \$50, receiving in payment his 5 day note, without interest.

Traded horse and wagon with C. E. Stoner, receiving as a bonus his 10-day note, in our favor, for \$125, bearing interest at 6%.

Sold Wallace & Son, for cash, Mdse. amounting to \$125.60.

Cash sales for day, \$101.73.

Paid clerks' salaries for week, \$27.50.

Paid stable bill for the keeping of the horse and wagon for week, \$5.25.

Mr. Lang withdrew \$15 in cash for private use.

Close your cash book in the same manner as on the 4th and present your work for inspection.

In the entries you have been making, when cash was debited, you wrote the name of the account to be credited on the left-hand side of the cash book on the same line with the amount, date, etc. Your posting to the Cash account is already done as the Cash Book is your Cash account. It is now necessary, in order to complete the other accounts, to open in the ledger such accounts as are named in the explanation columns of the Cash Book. CREDIT the accounts named on the left-hand side of the Cash Book. As cash account is already debited, posting to the credit of these accounts will give the balancing entries. In like manner, post to the debit side of the accounts named on the right-hand side of the Cash Book. As Cash account is already credited this will complete the balancing entries for these transactions.

Take a trial balance after the posting is completed. Remember your Cash Book is your Cash account, and as it is necessary to include all accounts that do not balance in your trial balance, it is necessary to include the balance of the Cash Book whenever taking a trial balance.

May 13. Received cash of W. J. Amos to apply on account, \$12.

Part of the Mdse. bought of R. C. Boynton on the tenth is

unsalable. We return the damaged portion and receive a cash refund of \$6.25.

Received of Mrs. Herbert Sidney, cash to apply on account, \$15.

Sundry cash sales for day, \$72.54.

14. Paid Upton & Walsh cash to apply on account, \$50.

Paid the Keystone Produce Co., to apply on account, \$75.

Bought of C. A. Springer one load of potatoes, paying for same in cash, \$32.50.

Cash sales for day, \$93.51.

15. The merchandise, ordered of the Kuhn-Snyder Co. on the seventh, amounting to \$950, has been received and checked. (When buying, no entry is made until the merchandise is actually received and checked up. Treat this transaction as a purchase on account for the full amount.)

Mr. Lang has drawn a check on The Second National Bank, for \$501.25, with which he will purchase a draft of \$500, paying \$1.25 exchange, and remit the draft to the Kuhn-Snyder Co. to apply on account. (The cost of making this remittance, or the exchange on the draft, is a part of the expense of carrying on the business. Treat the remittance as a payment on account.)

Mr. Lang has loaned Jas. Marsh, on his promissory note, \$100, date of note May 15, due 30 days after date, without interest.

Mr. Lang has taken the above note to The Second National Bank and had it discounted at 7%, the proceeds placed to his credit. (Two entries are necessary, one for loaning the money and the other for discounting the note.)

Cash sales for day \$106.34.

16. Mr. Lang withdrew cash for private use, \$25.

J. C. Donovan pays his note of the 11th inst., in our favor, face of note \$50.

Cash sales, \$99.65.

17. Paid for having horse shod, \$2.

Paid Walter Jenks for Mdse. \$15.35.

Sundry cash sales \$104.35.

18. Paid stable bill for week, \$5.25.

Cash sales \$114.70.

Paid clerks' salaries for week, \$27.50.

Close your cash book and present your work for inspection.

May 20. Mr. Lang loans W. J. Amos, a customer, \$5 on account, for a few days.

Remitted the Kuhn-Snyder Co. a San Francisco bank draft of \$450, to apply on account. Exchange on draft \$1.25.

Cash sales \$69.30.

21. As we now have sufficient cash on hand, Mr. Lang has paid his note of the seventh in favor of The Second National Bank with interest for the time it has run. (Make two entries, one for the note, the other for the interest.)

Received of Mrs. Herbert Sidney, to apply on account, \$12.50.

Paid Upton & Walsh, on account, \$50.

Cash sales for day, \$84.96.

22. Mr. Lang has discovered that one dollar of the money received yesterday is a counterfeit. (Charge to Loss and Gain.)

Mr. Lang withdrew for private use, \$10.

Cash sales, \$17.29.

23. Received cash of C. E. Stoner for his note, in our favor, due today, face of note \$125, interest on same 25c.

Received cash of Mrs. Herbert Sidney in full of account.

Paid the balance due the Keystone Produce Co., on account.

Cash sales for day \$92.10.

24. Loaned Milton Brown on his 90-day note, with interest at 6%, \$50.

Mr. Lang discounts the above note at The Second National Bank at 7%, receiving credit for the proceeds.

25. Paid the following expenses for the week: Stable bill, \$5.25; Salaries, \$27.50.

Cash sales, \$111.16.

Close your cash book and present your work for inspection.

Read again the explanation of the posting given under May

11. Post your work and take a trial balance. The inventories

are as follows: Merchandise \$850, Furniture and Fixtures \$200, Horses and wagon \$275. Make out financial statements and close the ledger.

Present your work for inspection.

COMMISSION.

Certain localities or communities generally produce some few staple articles of commerce in such abundance as to make it impossible to use all of the supply in that immediate vicinity. Thus a locality will grow more wheat than it can use; another locality will produce more butter than it needs; another more fruit; etc. Supplies of all kinds are generally in demand in the cities, so we find in the cities men and firms who make a business of finding buyers for the men who have any surplus produce, provisions, live stock, etc., to dispose of; for this service these men or firms generally charge a certain per cent. of the gross selling price, and this charge is called commission, while those engaged in this work are said to be in the commission business. Men or firms in the commission business usually maintain offices and warehouses or stores at which they receive the commodities that they sell for others. Commodities thus received to be sold for the owners are known as consignments.

As the commission merchant must make returns to the owner for each consignment received, he opens a separate account for each consignment received, numbering it, and to aid in distinguishing the consignments from each other, generally adds the name of the consignor as a part of the account title. Example: Consignment No. 12, Chas. Howe. Remember these consignment accounts are entirely separate from any personal account you may have with the same party. Debit each separate consignment account for all costs (freight, drayage, insurance, commission, net proceeds, etc.) Net proceeds is the amount due the owner after all charges have been deducted. Credit each separate consignment account for all it produces (receipts from sale of the consignment).

It is a common practice for commission men to buy commodities and ship them to other localities to be sold for them on commission. Merchandise shipped by the owner to another to be sold on commission is known to the owner as a shipment.

When property is shipped to be sold on commission, a separate account with each shipment is opened on the books of the owner to represent the separate lots of property that have gone out of his possession but not his ownership. Of course, the owner wants to know whether he is losing or gaining on each shipment and how much; so it is necessary to have a separate account with each shipment made. To help distinguish the shipments, generally the name of the party to whom shipped and the number of the shipment are added to the account title. Example: Shipment No. 5, W. E. Smith & Co. Remember that these shipment accounts are entirely separate from any personal account which you may have with the same parties. Debit each separate shipment account for all costs (the value of the property shipped—usually the cost price, and all expenses incurred in making the shipment). Credit each separate shipment account for what it produces (net proceeds).

Journalize the following transactions:

June 1. Student (as proprietor) commenced the shipping and commission business and invested \$4250 cash.

Bought for cash, 100 tubs butter, 5000 lbs., at $24\frac{1}{2}$ cts.; 100 crates eggs, 3000 doz., at 27 cts.; 50 boxes cheese, 3000 lbs., at 17 cts.

4. Shipped to Dayton & Cole, San Francisco, to be sold on my account and risk, 50 tubs butter, 2500 lbs., invoiced at $24\frac{1}{2}$ cts. Paid cartage on same in cash, \$2.50. (What account is opened? Why? Review the explanation of shipment accounts.)

6. Shipped to the Woodlawn Com. Co., Oakland, to be sold on my account and risk, 50 crates eggs, 1500 doz., invoiced at 27 cts. Paid cartage in cash, \$3.

9. Received from Mann & Co., Redlands, to be sold on their account and risk, 20 boxes naval oranges. Paid freight

and cartage in cash, \$5.25. (What account is opened? Why? Review explanation of consignment accounts.)

11. Received from Tracey & Sons, Riverside, to be sold on their account and risk, 40 boxes lemons. Paid freight and cartage in cash, \$10.50.

12. Received from Dayton & Cole, an account sales of the butter shipped them on the 4th inst. My net proceeds remitted in cash, \$695.25. (What account is debited? Credited? Why? What does the difference between the two sides of the "Shipment No. 1, Dayton & Cole" account show? Why?)

13. Sold, for cash, 20 boxes naval oranges, belonging to Mann & Co.'s Consignment No. 1, at \$2.75. (What account is debited? Credited? Why?)

Closed Mann & Co.'s Consignment No. 1 and rendered them an account sales. Storage charges, \$1; commission 10% on sales; Mann & Co.'s net proceeds remitted in cash. (What does the debit side of the account with Mann & Co.'s Consignment No. 1 show? Credit?)

16. Received from J. J. George, San Diego, to be sold on his account and risk, 100 bunches bananas. Paid freight and cartage in cash, \$7.50.

17. Shipped Kranston & Co., Salt Lake City, to be sold on my account and risk, 50 boxes cheese, 3000 lbs., invoiced at 17 cts. Paid cartage in cash, \$2.

19. Sold, for cash, 25 tubs butter, 1250 lbs., at $32\frac{1}{2}$ cts.; 25 crates eggs, 750 doz., at 29 cts.

20. Received from the Woodlawn Com. Co., an account sales of the 50 crates eggs shipped to them on the 6th inst. My net proceeds in cash, \$402.10.

22. Bought of the Purity Dairy Co., on account, 25 tubs butter, 1250 lbs., at 24 cts.

23. Sold, for cash, from Tracey & Son's Consignment No. 1, 40 boxes lemons at \$3.25.

Closed Tracey & Son's Consignment No. 1, and rendered them an account sales. Storage charges, \$2.15; commission 10% on sales; their net proceeds remitted in cash.

24. Shipped Knowlton Bros., San Francisco, to be sold on my account and risk, 25 tubs butter, 1250 lbs., invoiced at 24 cts. Paid cartage in cash, \$1.75.

26. Received from Kranston & Co., an account sales of cheese shipped them on the 17th inst. Net proceeds, due in 30 days, placed to my credit, \$571.

27. Received from Mann & Co., Redlands, (Consignment No. 2) to be sold on their account and risk, 15 bbls., 1500 pineapples. Paid freight and cartage in cash, \$5.80.

28. Sold D. D. Pratt & Co., City, on account, from J. J. George's Consignment No. 1, 100 bunches bananas at \$2.95; from my stock of merchandise, 25 crates eggs, 750 doz., at 28½ cts.

Closed J. J. George's Consignment No. 1, and rendered him an account sales. Storage charges, \$2.25, commission 10% on sales; his net proceeds, due in 30 days, placed to his credit.

29. Sold, for cash, from Mann & Co.'s Consignment No. 2, 8 bbls., 800 pineapples, 12½ cts.

Post (two accounts to page) and take a trial balance. Remember that shipment or consignment accounts represent merchandise and must not be confused with the personal accounts of the parties to whom shipments are made or from whom consignments are received.

Make financial statements. For what are shipment accounts debited? Credited? Shipment accounts, at the time of closing the books, may show the following conditions: The shipment made and all costs charged but no returns received, in which case the shipment is generally considered a resource inventory for the full amount of the cost. The shipment made and all costs charged and the returns for a partial sale of the shipment credited, in which case the unsold portion is generally treated as a resource inventory at cost, and this inventory added to the credit causes the account to show either a loss or gain on the sold portion (same as merchandise account). The shipment made and charged with all the costs and credited with the entire net sales, in which case the shipment shows a loss or gain.

For what are consignment accounts debited? Credited? The following conditions may be shown by consignment accounts at the time of closing the books: The consignment received and debited for the charges advanced but no sales made, in which case the amount advanced is a resource. The consignment received and debited for the advanced charges and credited with partial sales, in which case the account shows a liability for the amount of the sales less the advanced charges. (The charges earned on the part sold but not yet entered, are treated as a resource inventory in commission, storage, etc.) The consignment received and debited for all advanced charges, charges earned in making the sales and the net proceeds, and credited for the sales of the entire consignment, in which case the account balances.

Inventories: Merchandise, 25 tubs butter, 1250 lbs., at 24 cts.; Commission earned on Consignment No. 2, Mann & Co. but not entered, \$10; Shipment No. 1, Knowlton Bros., \$301.75.

REVIEW I.

Make use of the index in finding answers to the following questions: What is a business transaction? What is bookkeeping? What is the rule for debits? Credits? What is included under the title of cash? What is merchandise? What are personal accounts?

Journalize the following on a half-sheet of journal paper:

Dec. 1. Bought of R. C. Thompson, for cash, 200 bbls. flour at \$4.

2. Sold to A. H. Warren, for cash, 50 bbls. flour at \$4.50.

3. Bought of Winter Bros., for cash, 300 bu. corn at 37 cts., and 300 bu. wheat at 61 cts.

4. Sold Wm. Archer & Co., for cash, 50 bbls. flour at \$4.50, and 100 bu. corn at 40 cts.

5. Bought of Arthur McMillan, for cash, 100 bbls. flour at \$3.90, and 1200 bu. oats at 33 cts.

6. Sold Henry Hamilton, on account, 10 bbls. flour at \$4.50.

7. Received cash from Henry Hamilton, on account, \$30.
8. Bought of Henry Hamilton, on account, 50 bu. potatoes at 45 cts.
9. Henry Hamilton returns 2 bbls. flour which was damaged, we credit the same on account at \$4.50 each.
10. Sold Arthur Grayden, on account, 25 bu. potatoes at 53 cts.

We have the following inventory: 192 bbls. flour at \$3.95; 200 bu. corn at 37 cts.; 300 bu. wheat at 61 cts.; 1200 bu. oats at 33 cts.; 25 bu. potatoes at 46 cts. What has been gained or lost on merchandise?

Does the business owe Henry Hamilton or does he owe the business and how much?

REVIEW II.

What is included under the title of Bills Receivable? Bills Payable?

Jan. 1. You begin a general merchandise business with no investment.

Borrowed \$5000 from the City Bank on your 30-day note.

Gave J. Benson your 10-day note in payment of rent of store for one month, \$100.

2. Bought a bill of merchandise from John Henderson, amounting to \$5000, and gave him your note at thirty days, with interest, in payment of same.

Sold H. Mason, on account, 2-10, n-30, 3000 bu. wheat at 80 cts.

3. Bought a horse and wagon from J. W. Brown and had the same charged to your account, \$500. (Open Horse and Wagon account.)

4. Sold John Davidson, $\frac{1}{2}$ cash, balance 15-day note, 5000 bu. wheat at 80 cts., 2000 bu. corn at 50 cts.

5. Received of H. Mason his note at 15 days from Jan. 2, for the full amount of his bill of that date.

8. Accepted J. W. Brown's 15-day sight draft on you, in favor of H. E. Rose, in full payment of the horse and wagon purchased on the third.

11. Paid your note of Jan. 1, due today, by check.

14. Sold H. Mason a bill of merchandise amounting to \$2000, receiving in payment a draft at three days sight, on H. E. Wing, of this city, which the drawee has this day accepted.

16. Bought of John Martin a bill of merchandise, amounting to \$2500. Gave in payment the acceptance received on the 14th, and your personal note at ten days, with interest, for the balance.

19. Received of John Davidson a sight draft, on Henry Jameson, in full payment of his note due today.

21. Sold Henry Webb a bill amounting to \$1000, receiving in payment his note at 15 days for \$500, and a 30-day draft, on Ira Johnson, for the balance.

23. Paid acceptance of the 8th inst., favor of H. E. Rose, by check.

What is the face value of the notes you hold against others? What is the face value of the notes held by others against you?

REVIEW III.

What is included in the expense account? What is real estate?

As bookkeeper for J. Martin Snow, journalize the following, providing a separate account for each separate piece of real estate:

Feb. 1. Bought of the Sunset Realty Co., a dwelling and five lots, 1001 to 1009 Pacific Grove Ave., for \$6750. Gave in payment cash \$5000 and my 6-mos. note, with interest at 6%, for the balance. (Open an account with Pacific Grove Ave. Real Estate.)

2. Mr. Snow has rented an office, 1126 Braly Bldg., paying one month's rent, \$35, in advance. This office will be used in carrying on his business.

3. Bought of Barker Bros., on account, 10 days, 1 roll top desk, \$60; 1 office chair, \$6; 1 office table, \$14; 4 plain chairs at \$3.25; 1 clerk's desk, \$20; and 1 Macey letter file, \$18. (Open Furniture and Fixture account.)

4. Mr. Snow paid Joe Blaine for cleaning windows and scrubbing floor of office, \$2.50.

5. Bought of Niles Pease Furniture Co., for cash, 1 Wilton rug, \$22.50, for use in office.

6. Paid Wallace & Son for painting dwelling, 1009 Pacific Grove Ave., \$74.25 in cash.

6. Paid bill for office telephone, 1 month in advance, \$4.

8. Bought for cash office books, stationery, etc., amounting to \$18.60.

8. Rented dwelling, 1009 Pacific Grove Ave., to W. S. Miller, receiving one month's rent in advance, \$22.50.

9. Mr. Snow has purchased 3 lots, 4562-4566 Vermont Ave., giving in payment a check on First National Bank for \$4720.

10. Paid water tax for dwelling 1009 Pacific Grove Ave., \$1.55.

18. Paid Burke Bros. for new cement walk and curbing, 4562-6 Vermont Ave., \$113 in cash.

18. Paid Barker Bros. in full for invoice of 3rd inst.

27. Paid an assessment on Vermont Ave. property for street improvements, \$105.

27. Paid taxes on Vermont Ave. property, \$12.45.

27. Sold lots 1001 and 1003 Pacific Grove Ave., to J. R. Buell, \$2200, in cash.

28. Paid L. A. Towel Supply Co.'s bill for towels supplied office during month, \$1.25.

28. Returned clerk's desk, purchased on the 3rd inst., to Barker Bros., at a discount of 10% from cost, and purchased from same firm a flat-top typewriter desk at \$28, paying balance in cash.

28. Paid rent on typewriter for $\frac{1}{2}$ month, \$2. Paid for advertising Pacific Grove Ave. property, \$22.

If the office books, stationery, etc., now on hand are worth \$12, what was the expense to Mr. Snow of carrying on his business for the month? Mr. Snow estimates his Pacific Grove Ave. property remaining unsold to be worth \$5000. Has he gained or lost on this property and how much? If the Vermont Ave. property is worth \$5200, how much has he gained or lost on this property?

REVIEW IV.

What is interest? Discount? Merchandise Discount is an allowance made on a bill of merchandise for payment within a certain specified time. Bills Receivable and Bills Payable should always be entered at their face value. Journalize the following:

Feb. 1. You owe Jesse Warner \$512. Give him cash for $\frac{7}{8}$ the amount and your note at ten days, with interest, for the balance.

2. H. M. Zaner pays you the interest accrued on his note in cash, \$16.45.

3. John King prepays an invoice, previously charged to his account, amounting to \$186. You allow him a discount of 2% and receive the balance in cash.

4. You pay the interest on your note in favor of Frank Storm, in cash, \$23.06.

5. You have Isaac Shaw's note for \$600, at 90 days. The note has run for 30 days and you discount it at the bank, at 6%, and receive cash for the proceeds.

6. Receive cash of Geo. Burns for his note and interest due today. Face of note \$425; interest accrued \$10.65.

7. You owe Joel Starr \$206 on account and pay the same in cash, less 3%.

8. There is a mortgage on your house amounting to \$2200. Today one year's interest is due, \$110. Settle for the interest by giving your note at 10 days. The mortgage is held by Chas. Bennett.

9. You have John Davis' note for \$400, with interest, at 60 days. The note has run for 30 days, and you discount it at the bank, at 6%, and receive credit for the proceeds.

10. On Jan. 12 you bought a bill of merchandise of H. Johnson amounting to \$600, terms: 2-10, 1-30, net 60. In order to get the benefit of the discount you pay the same by check.

11. Your note of Feb. 1, is due today. Pay full amount by check on City Bank.

12. You receive today William Weaver's 30-day note for \$300, without interest. You discount it at once and receive cash for the proceeds. Rate of discount 6%.

13. Your note in favor of Samuel Barnum, for \$200 and interest on the same, \$6.50, is due today. You redeem the note and interest on same by issuing a new interest bearing note for \$206.50.

The interest accrued on unpaid notes is as follows: Bills Receivable \$10.50; Bills Payable \$12. What has been the loss or gain on interest and discount? What is the difference between the two sides of the merchandise discount account, and what does the difference show?

REVIEW V.

The entries for this set may be made in the journal or in journal and cash book. Apply to your teacher for directions concerning what books to use.

April 1. Hiram Cooke and Laurence Stoner have this day formed a co-partnership for the purpose of continuing the hay and grain business previously conducted by Mr. Stoner. In addition to carrying on this business, they will loan money and deal in real estate.

Mr. Cooke invests the following resources and liabilities:

Cash on deposit in Commercial Bank, \$7000.

Note made by John Spring, dated March 1st, at two months, with interest at 6%, face of note, \$2000.

Note made by the Western Tool and Die Co., dated Feb. 20, at 90 days, without interest, face of note \$1500.

Interest accrued on John Spring's note, \$10.

Due A. W. Jones on account, \$490.

Due Bolton Bros., on account, \$20.

Mr. Stoner invests the following:

500 bu. rolled barley @ 60 cts.

5 tons wheat @ \$1.50 per cwt.

12 tons alfalfa @ \$10 per ton.

18 tons barley hay @ \$9.50 per ton.

14 tons straw @ \$6.50 per ton.

Horses, wagons and harness valued at \$510.

Wm. Scott owes him on account \$24.50.

Summerland & Co., owe him on account, \$118.

Mrs. C. L. Patch owes him on account, \$54.25.

McFarland & Swayne Co., owe him on account, \$211.20.

He owes Marsh & Wallson, account, \$67.50.

He owes Bolton Bros. on account, \$110.

Cash on deposit in First National Bank, \$8427.55.

The firm name decided upon is "The Cooke-Stoner Co."

The hay and grain business will be continued at 325 E. Fourth Street, but it is thought best to open an "up-town" office, chiefly to facilitate the real estate and loan part of the firm's business.

Rented for office purposes Room 12, Lande's Bldg., paying one month's rent, \$28, in advance.

Bought office furniture of the Excelsior Furniture Co., as per invoice, giving our check for \$154.75 in payment.

Received for sundry cash sales during the day at the feed store, \$18.25.

2. Had Home telephone installed in office paying one month's rent in cash, \$6.

Paid Bolton Bros. cash on account, \$50.

Paid Walter Smith in cash for cleaning office room, \$3.

Loaned Mrs. Lillian Swartz on her note at 30 days, bearing interest at 7%, \$250.

Cash sales for day \$17.35.

3. Received of McFarland & Swayne, a 10-day note for \$200, with interest at 6%, to apply on account.

Bought of M. C. Adams, 10 lots, Nos. 4700 to 4709 inclusive, S. Fulton St. Paid for same in cash \$3450.

Paid L. W. Newitt for painting sign at feed store, \$4.50.

Cash sales for day, \$24.

4. Sold Summerland & Co., Mdse. amounting to \$150. Received cash \$100, the balance on account.

The Western Tool and Die Co. today arranged to take up their note of Feb. 20. They give us a new 30-day note for \$500, and cash for the remainder, less a discount of 6%.

Cash sales for the day, \$19.55.

5. Bought of Marsh & Wallson a carload of alfalfa. Gave in payment our 30-day note for \$125, balance on account, \$57.80.

Paid A. W. Jones, cash to apply on account, \$300.

Cash sales for day, \$32.50.

Paid for having horses shod, \$2.

6. Loaned the Southwestern Wool Co., on their 30-day, 6% note, \$2000.

Paid employees' salaries for week, \$22.50.

Cash sales for day, \$41.60.

8. Paid L. W. Newitt for lettering on office door, \$1.25.

Paid for stationery, etc., \$14.50.

Took out a six months' insurance policy, on stock and equipment at the feed store, in the German Fire Insurance Co., face of policy, \$2000. Paid premium of $1\frac{1}{4}\%$ on same in cash.

Bought lots number 762 and 764 N. Lake St., of the Mutual Real Estate Co. Lots front 120 ft. on Lake St. and are 125 ft. deep. Terms of purchase are \$100 per front foot, $\frac{1}{4}$ cash, balance in 3 equal notes, one for six months, one for one year, and one for $1\frac{1}{2}$ years, each bearing interest at 6%.

9. Paid City and County taxes on Fulton St. real estate amounting to \$14.60.

Bought of Marsh and Wallson, 2-10, n-30, 10,450 lbs. Ro. Barley @ 69 cts. per cwt.

Paid our note of the 5th inst., favor Marsh and Wallson, in cash, less discount at 6%.

10. Sold R. D. Bunker, 2-10, 1-30, Mdse. amounting to \$315.

11. Sold Smith & Walton lot No. 4700 Fulton St., for \$500, receiving in payment, \$400 cash, balance on account.

Received of Summerland & Co., \$100, cash, to apply on account.

12. Loaned the Excelsior Furniture Co. on their 60-day note \$1500, deducting interest at 6% in advance.

Loaned Wm. Scott \$10 on account.

13. Paid tax on Lake St. property amounting to \$28.70.

Paid wages for week, \$22.50.

Mr. Stoner draws cash for private use, \$25.

Cash sales for week, \$378.45.

15. Sold A. C. Hill, 2-10, n-30, 12 tons alfalfa @ \$13, 5000 lbs. wheat @ \$1.63 per cwt., 3 tons straw @ \$7.25. Mr. Hill hands us a check of \$200, with the understanding that he is to receive advantage of the agreed discount on the payment made.

Paid a special assessment of \$120, for cement curbing and street improvements on Lake St. real estate.

16. Bought of Mrs. Jennie Moore the frame dwelling now situated at 910 Fulton St., giving in payment our \$90-day note, without interest, for \$2100. We have made arrangements with Smith & Walton to move this house on lot No. 4709 of our Fulton St. property.

Sold lot No. 4702 Fulton St. to Mrs. C. L. Patch for \$465. Received cash \$350, balance on account.

Paid for janitor services for office, No. 12 Lande's Bldg., to date, \$5.

17. McFarland & Swayne pay their note of the 3rd inst., and interest, in cash.

Sold Wm. Scott, Mdse. amounting to \$210.35, on account.

18. John Spring pays his note of March 1st and interest accrued to date in cash.

19. Sold Charles Miller lot No. 4708 Fulton St., at \$510. Received in payment his 3-day sight draft on L. C. Smith for \$210, balance in cash.

Paid Marsh & Wallson in full for invoice of the 9th inst., less 2%.

20. Bought of A. W. Jones, Mdse. amounting to \$416, terms: 3-10, n-60.

Paid employees' wages for week, \$22.50.

Mr. Cooke withdraws for private use, \$35.

Cash sales for week, \$516.75.

22. Received cash in full for draft received on the 19th inst.

23. Received a bill from Smith & Walton for moving dwelling to 4709 Fulton St., \$250. After deducting the amount due us on account, we pay the balance of this bill in cash.

24. Received cash of A. C. Hill in full of balance due on invoice of the 15th inst., less 2%.

Sold to the Carlton Realty Co. our Lake St. real estate at \$133 1-3 per front foot. Received in payment cash for one-half and their 6-months note for the balance.

By special agreement with the Mutual Real Estate Co., we pay our three notes outstanding against this property and interest accrued to date in cash.

25. Transferred note received on the 4th inst., from the Western Tool & Die Co., to A. W. Jones to apply on account, less discount for the unexpired time at 6%.

Bought of Bolton Bros., Mdse. amounting to \$2480. Gave in payment note received on the 6th inst. from the Southwestern Wool Co., receiving credit for the proceeds, balance on account.

26. Paid the following bills: For foundations 4709 Fulton St., \$65.40; for plumbing at same place, \$12.65; for painting and repairing at same place, \$93.

Paid employees' wages for week, \$22.50.

Summerland & Co. have failed in business. Being unable to pay their debts in full, they have compromised with their creditors on a basis of 65 cts. on a dollar. We receive a check from them settling their indebtedness to us on this basis.

Cash sales for the week, \$472.60.

28. Rented house and lot No. 4709 Fulton St. to L. A. Houseman receiving one month's rent, \$25, in advance.

Paid Bolton Bros., in full, for balance of invoice of the 25th inst., less 1%.

29. Paid rent for feed store for month of April, \$45.

A desk purchased on the 1st inst., of the Excelsior Furniture Co., and costing \$18, was today exchanged for one of larger size, and the difference of \$7 paid in cash.

30. Paid bookkeeper and stenographer's salary to date, \$65.

Paid L. A. Towel Supply Co.'s bill for month, \$1.25.

Paid sundry expense items at feed store in cash, \$10.25.

Cash sales to date, \$214.

Paid Marsh & Wallson to apply on account, \$100.

Mr. Stoner reports the following inventories:

Mdse. on hand, \$2060.

Fulton St. real estate, \$5330.

Horse and wagon, \$500.

Due on employees' wages, \$12.50.

Unused stationery, etc., \$8.

Furniture and fixtures, \$154.

Post, take a trial balance, make out financial statements, and close all accounts affected by the losses or gains of the business.

CORPORATIONS.

The principles applied to corporation bookkeeping are the same as those applied to other business records. The representation of proprietorship by means of stock, the raising of funds by assessments and additional sales of stock, the dividing of profits by means of dividends, the carrying of profits as surplus, etc., necessitate the keeping of some records and accounts which do not occur in individual or partnership concerns. The following transactions are arranged for practice in keeping these accounts and records. Use loose paper in preparing the records and entries for these exercises, unless otherwise instructed by your teacher.

EXERCISE NO. 1.

W. G. Mills, E. O. Saunders, A. C. Steele, R. A. Brooks and L. J. Green met on July 1st to organize a corporation to engage in the retail lumber business. The following arrangements have been decided upon: Corporate name to be the National Mill and Lumber Co., capital stock \$100,000, shares \$100 each. Each incorporator to subscribe for \$15,000 worth of stock at par, balance of the stock to remain in the treasury.

Prepare the subscription list according to the above agreement.

July 22. Received, from the Secretary of State, authority to begin business. Each of the incorporators has paid the amount of his subscription in cash and received his certificate of stock.

Make the proper journal and stock ledger entries. (Enter cash through the journal—keep no cash book in this exercise.)

Aug. 1. Treasury stock, at par, has been subscribed and paid for in cash, as follows: W. G. Mills 20 shares, C. C. Steinman 25 shares, A. C. Steele 100 shares, W. P. Swanson 105 shares.

Sept. 1. On account of the large investments in yards, machinery, buildings and stock, it has been found necessary to raise additional funds. At a meeting of the stockholders, it has been decided to increase the capital stock to \$150,000, and the following subscriptions for stock at par were received: C. O. Paulin 250 shares, E. D. Wise 200 shares, John Simpson 50 shares.

Sept. 10. Received cash for C. O. Paulin's and E. D. Wise's subscription of Sept. 1st, and issued stock certificates.

Sept. 12. The Board of Directors, by special arrangement, accepted John Simpson's ten-day note, bearing interest at 7%, for the 50 shares of stock he subscribed for on Sept. 1st, and have issued him his certificate of stock.

Oct. 1. An invoice of \$14,763 will be due on Oct. 10th. As there are no funds on hand with which to meet the debt, the Board of Directors have levied an assessment of 1%, with the understanding that a dividend of an equal amount will be declared as

soon as sufficient outstanding accounts have been collected to warrant the payment.

Prepare the assessment list.

Oct. 5. Received cash in full for assessment of Oct. 1st from all the stockholders.

Oct. 12. E. O. Saunders transferred 50 shares of his stock to E. D. Wise. The original certificate has been cancelled and two new ones issued.

Oct. 16. C. C. Steinman sold 25 shares of his stock to W. P. Swanson, the proper change in certificates has been made.

Oct. 18. R. A. Brooks has sold 70 shares of stock to A. B. Pendleton, the certificates have been adjusted.

Oct. 31. Sufficient funds have been collected to meet maturing obligations and to return the assessment of the 1st inst. The Board of Directors have passed a resolution authorizing a one per cent. dividend.

Prepare the dividend list.

Nov. 1. Mailed checks to the stockholders for their dividends.

Jan. 2. Upon closing the books for the first six months, they show net profits amounting to \$36,725. The Board of Directors have declared a 2% dividend and have given instructions to carry the remaining gains to undivided profits account.

Prepare dividend list.

Jan. 5. Checks were mailed to stockholders for the dividend declared Jan. 2d.

EXERCISE 2.

W. J. Coles and R. C. Sloat, partners, have been engaged in a general merchandise business. They have decided to incorporate and have arranged with A. Stilson, D. W. Walker, I. K. Crane and C. O. Goodwin, to take stock in the corporation. At a meeting on March 1st, the following list of resources and liabilities was submitted by Messrs. Coles and Sloat: Resources; cash \$7826.93, merchandise \$28,374.95, furniture and fixtures \$3786.40, real estate \$36,500, accounts receivable \$3764.18, unex-

pired insurance \$231. Liabilities; salaries due employes \$495.60, accounts payable \$15,369.70.

The above resources and liabilities were accepted as listed and it was decided to incorporate under the name of The Coles-Sloat Co. Messrs. Coles and Sloat each to receive \$40,000 in stock at par for their former business, good will being charged for the difference between their present worth as shown by the resources and liabilities and the amount allowed them in stock. The capital stock of the corporation to be \$100,000. Messrs. Stilson, Walker, Crane and Goodwin each agreeing to take \$5,000 in stock at par.

Prepare the subscription list.

April 1. Authority to commence business has been received from the Secretary of State. The books used in the partnership are to be continued in the corporation, making only such changes in the accounts and adding such new books as are necessary under the new conditions. A. Stilson, D. W. Walker, I. K. Crane and C. O. Goodwin have paid their subscriptions in cash. All certificates of stock have been issued.

Make the journal, cash book and stock ledger entries for the adjustment of the partnership books to the new conditions.

Nov. 30. Upon closing the books for the year, it is found that the net gain is \$18,237.68. The Board of Directors has decided to set aside, as a surplus fund, an amount equal to 5% of the capital stock, to declare a dividend of 13%, and to carry the balance of the gains to an undivided profits account.

Make the proper entries.

Dec. 5. Checks have been handed to the stockholders for the dividend declared on Nov. 30th.

Jan. 3. C. O. Goodwin transferred 10 shares of his stock to L. J. Sinclair. The proper adjustment of stock certificates has been made.

Jan. 16. The stock and store were damaged by fire to the extent of \$25,000, the loss being fully covered by insurance, but in order to avoid any delay in making repairs or purchasing new

stock, the Board of Directors has levied an assessment of 20% on the capital stock.

Prepare assessment list.

Jan. 18. Received cash in full of assessment of the 16th inst.

Feb. 15. C. O. Goodwin has sold his remaining stock to I. K. Crane. New certificate has been issued.

July 1. Due to the death of R. C. Sloat, on June 28th, his stock has been transferred to the Merchants' Trust Co., Trustee for R. C. Sloat's estate. New certificate has been issued.

Nov. 30. Upon closing the books for the year, the net gain is found to be \$32,760. The Board of Directors have authorized a dividend of 30%, the remaining gains to be carried to undivided profits.

Dec. 5. Checks have been handed to the stockholders for the dividend declared on Nov. 30th.

EXERCISE NO. 3.

On June 5th, W. G. Glenn, C. A. Traine, R. S. Gilbert, M. T. Walters, Geo. Squires and N. H. Kawston, met to organize and incorporate the Eldorado Oil Co. The following conditions were decided upon: Capital stock to be \$100,000, shares \$1.00 each. Stock to be paid for in ten, equal, monthly installments. Each incorporator subscribes for 10,000 shares at par. Remaining stock to be sold later. W. G. Glenn to receive a bonus of 3000 shares of stock for promoting the company, R. S. Gilbert to receive 4250 shares of stock for drilling machinery and pipes turned over to the company, and C. A. Traine to receive 6000 shares of stock for lease of oil rights on Section 15 of Morgan Township for three years. This stock is included in their subscription of 10,000 shares each.

Prepare subscription list.

June 24. Received authority from the Secretary of State to begin business.

July 1. Issued the stock in payment of the machinery, lease and bonus.

Received cash for first installment on subscribed stock and issued installment receipts for same.

Aug. 1. Received cash for second installment on subscribed stock and issued installment receipts for same.

Aug. 27. Sold L. C. Borden 10,000 shares of stock at 90, the same to be paid for in ten, equal, monthly installments. Received the first installment in cash and issued the installment receipt.

Sept. 1. Received cash for the third installment on the incorporators' stock, and for the second installment on L. C. Borden's stock. Issued installment receipts for same.

Sept. 11. Geo. Squires has transferred his installment script to N. H. Kawston. The original installment receipts have been cancelled and new ones issued.

Oct. 1. Received cash in full of all installments due.

Oct. 20. Prospects are very encouraging, and it has been decided to place the remainder of the stock on sale. The following subscriptions have been received: R. G. Ross 10,000 shares at \$1.09 cash; Z. S. Moss 5000 shares at \$1.12 in ten, equal, monthly installments; C. O. Yates 5000 shares at \$1.13 in ten, equal, monthly installments.

Oct. 23. Received cash for the amounts due on subscriptions of the 20th inst., and issued installment receipts and certificates of stock in accordance with the payments received.

Nov. 1. Received cash in full for one installment on all installment stock subscriptions.

Nov. 23. L. C. Borden transferred 5000 shares of installment script to Z. S. Moss. The original script was cancelled and new script issued.

Nov. 25. The Board of Directors has declared a stock dividend of 10%. The certificates of stock for same have been issued to the stockholders and the holders of installment script.

Dec. 1. Received cash in full of all installments due and issued installment receipts.

Dec. 20. L. C. Borden transferred 2500 shares of his installment script to J. V. Olsen.

Jan. 2. Received cash in full of all installments due.

Jan. 8. R. G. Ross transferred 2500 shares of stock to J. V. Olsen. The original certificate has been cancelled and new ones issued.

Jan. 10. The books were closed on Dec. 31 and showed a net gain of \$6273. The Board of Directors today declared a 5% dividend, payable on Jan. 15. The balance of the gains to be carried to a surplus fund account.

Jan. 15. Checks were mailed to the holders of stock and installment script, in full for the dividend declared on Jan. 10.

EXERCISE NO. 4.

April 23. W. A. Elder, P. R. Stuart, W. E. Davis, N. O. Coleman, B. A. Roper and E. G. Black, have received from the City Council a 50-year franchise for the building and operating of an electric, street railway over various streets of the city. They decide to incorporate and sell stock to cover the building and equipping of the road. The following conditions were agreed upon: Corporate name to be "The Urban Street Railway Company." Capital stock \$1,000,000, of which \$400,000 is to be 5% preferred stock and the balance common stock. Shares to be \$100 each. Above named promoters each to receive \$20,000, at par, in common stock and equal amount, at par, in preferred stock, for their interest in the franchise.

C. A. Wendell, F. O. Rogers, G. T. Tate, L. M. Beacom, P. K. Swartz and A. A. Andrews, each subscribe for 500 shares common stock, at par, to be paid for in five, equal, monthly installments.

Prepare subscription list.

May 16. Received authority from the Secretary of State to begin business. Stock is issued to the promoters as per agreement (charge Franchise account). Messrs. Wendell, Rogers, Tate, Beacom, Andrews and Swartz, have paid the first installment on their stock in cash.

Prepare journal, cash book, installment list, installment ledger and stock ledger records.

May 20. Received subscriptions for preferred stock, at par, to be paid for in five, equal, monthly installments, as follows: C. O. Richey 100 shares, T. M. Warren 50 shares, I. T. Wood 200 shares, Dillon & McCann 100 shares, Mrs. A. D. Paulsen 100 shares and E. E. Bayard 200 shares. Each paid the first installment in cash.

June 1. Received cash for the second installment on all installment stock subscribed for during May.

W. A. Elder, W. E. Davis and B. A. Roper, have each paid cash for 250 shares of preferred stock at 97.

June 8. F. G. Black has paid cash for 400 shares of common stock at 96.

July 1. Received cash for the third payment on all installment stock subscribed for.

July 12. A. A. Andrews transferred 200 shares of his installment script to Dillon & McCann.

July 24. Dillon & McCann paid cash for 1400 shares of common stock at 95½.

Aug. 1. Received cash in full for the fourth payment on all subscribed installment stock.

Aug. 25. Received \$10,000 in cash as a bonus for extending the car line on West Seventh street one mile beyond the city limits.

Sept. 1. Received cash for the fifth and last payment on all installment stock. The installment script has been taken up and the stock issued.

Dec. 20. As additional funds are needed for construction and equipment purposes, the Board of Directors has decided to issue \$500,000 of 5%, 20-year, gold bonds. Bonds each to be for \$1000 par, dated Jan. 2, interest payable semi-annually. The bonds to be advertised for thirty days and sold to the highest bidder. Bids to be opened Jan. 31.

Jan. 31. The highest bid, a premium of ⅝%, received for

the bonds was from the firm of Kuhn, Mansfield & Prior, New York City. The bid is accompanied by a certified check for \$50,312.50. The Board of Directors have accepted this bid and taken the check as part payment for the bonds.

Feb. 3. T. M. Warren has transferred all his stock to F. G. Black.

Feb. 27. Received from Kuhn, Mansfield & Prior, cash for the balance due on the bonds.

July 1. Upon closing the books for the first year's business, it is found that the profits of the company, exclusive of the dividend on preferred stock and interest on bonds, are \$18,225. The Board of Directors has authorized the payment of the annual dividend on the preferred stock outstanding out of the profits of the year's business, the balance of the profits to be carried to a surplus fund account. The interest on the bonds to be paid and carried as a debit in the interest account until the profits are sufficient to cover all interest and preferred stock dividends.

As the earnings during the first year, when the construction and the equipping of the road was taking place, are small the Board of Directors has declared a preferred stock dividend to the holders of the common stock; giving two shares of preferred stock to each holder of common stock for every 100 shares owned by him.

Jan. 2. Paid one-half year's interest on bonds.

June 28. Paid one-half year's interest on bonds.

July 1. Upon closing the books for the second year, the gain, exclusive of the dividend on the preferred stock, is \$62,375.40. The Board of Directors has set aside \$10,000 of the gain as a sinking fund, authorized the payment of the annual dividend upon the preferred stock and a 6% dividend on the common stock, the remainder of the profits to be divided equally between the surplus fund and undivided profits accounts. They have also declared a preferred stock dividend, in favor of all the stockholders, at the rate of ten shares of preferred stock for each 100 shares of stock, either kind, owned by the stockholders. This

dividend not to apply on the shares of stock previously issued as a dividend. As the franchise is now developed and on a good earning basis, the Board of Directors have decided to charge this stock dividend to the franchise account.

Oct. 10. At an election today, the voters of the city have authorized an issue of bonds by the city for the purpose of buying the street railways, which will hereafter be operated as a municipal enterprise.

Dec. 1. The city has today taken charge of the street railways and has made the following settlement with the company: The city assumes the bonded indebtedness of the company, and has paid the company \$1,250,000, in cash, for its franchise, equipment and complete business interests.

Dec. 2. After closing all accounts, excepting Cash, Capital Stock and Loss and Gain, these accounts are as follows: Cash debited \$1,313,964, Capital Stock credited \$1,000,000 and Loss and Gain credited \$313,964. Retire the stock, divide all funds among the stockholders (preferred and common stockholders will share equally), thus adjusting these accounts.

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